



Istanbul Takas ve Saklama Bankası A.Ş.

1 JANUARY – 30 JUNE 2020

UNCONSOLIDATED

INTERIM ANNUAL REPORT

Istanbul Takas ve Saklama Bankası A.Ş. 2020 II. Interim Period Annual Report

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Evaluation of the Chairman of the Board of Directors for the Period

The fact that the coronavirus epidemic, which emerged in China in December 2019 and spread to the world rapidly, could not be kept under control in the second quarter of 2020, especially in Europe and the USA, presents an important threat to global growth. In this context, countries that closed their economies due to the epidemic in the first quarter, trade and economic destruction in their surroundings made the expected recovery in the second quarter difficult with the uncertainty caused by the second wave concerns. International organizations revised downward their forecasts for this year, which are expected to contract, after the second quarter. The IMF predicted that the global economy would contract by 3% in 2020, and the decline in the global trade activities of the World Trade Organization could reach 32% this year. Globally, expansionary fiscal policies were continued along with the expansionary monetary policy steps of the central banks in order to support the financial system and the real sector, and large monetary and fiscal policy measures were delivered in the prevention of a permanent destruction on supply chains and production structure. The US Federal Reserve did not change the monetary policy in its June meeting and announced that the expansionary policy implemented under the current conditions would continue. The European Central Bank started a new repo program to provide Euro liquidity to countries outside the Euro Area, and the Bank of England increased its bond purchase program by £ 100 billion at the June meeting. The European Commission has announced that it has designed a package of 750 billion Euros to support post-epidemic economic activity, and a new stimulus package of 1.1 trillion USD has been put into use in Japan. In global markets, the second wave of the coronavirus epidemic and concerns about a slowdown in economic recovery created a deterioration in risk perception, leading to exit from risky assets and seek safe havens. Gold prices reached their peak of eight years, supported by the widening in global liquidity conditions and risk aversion.

Following the first case in our country on March 10, measures were taken to restrict economic, social and cultural activities operating in the physical field at the first stage. In April, volatility in global financial markets increased, production and trade activities around the world came to a halt, the deterioration in expectations accelerated and economic activities in our country declined similar to those in the whole world. With the contribution of the measures taken, positive developments started to be observed in the economic activities as of June. At this stage, while the risk premiums of developing countries increased significantly due to the decline in the global risk appetite, the sharp declines in international commodity prices, especially in crude oil and metals due to the global recession, limited the inflationary pressure. Central Bank of the Republic of Turkey, has continued in the April and May meetings easing process that began in July 2019 and didn't change the policy rate, taking into account the inflation outlook in the June meeting. It is observed that confidence in the real economy and market movements have begun to gain momentum with the appropriate measures taken by regulatory and supervisory institutions within the framework of government policies. At the same time, it is considered that the monetary and fiscal measures taken in order to limit the negative effects on our economy will contribute to financial stability and growth by supporting the production potential of our economy.

Takasbank, which has become an important financial infrastructure institution with the services it offers to the money and capital markets of our country, continues to contribute to the development of our financial markets in a more stable and sustainable structure. During this period, our bank continued its efforts to deepen markets and manage financial risks. Takasbank Money Market's risk, collateral and default management structure compatible with Takasbank's Central Counterparty (CCP) practices were put into effect in April. In the Securities Lending Market, where Takasbank is CCP, technical developments that will ensure healthy price formation, ensure regular and continuous offers, automate processes and minimize costs have been completed and made ready for use in June. Along with the improvements made by Takasbank, it is aimed that the borrowing transactions that take place in the over-the-counter markets will be realized through an organized market with automated processes, competitive costs and central counterparty guarantee of Takasbank. As of June 30, 2020, Takasbank has achieved a profit of 294.2 million TL before tax, its asset size has reached 22.1 billion TL and its equity has reached 2.3 billion TL.

On behalf of myself and our Board of Directors, I would like to thank all our stakeholders, especially our employees and managers who have contributed to the successful performance of our Bank, which continues its services effectively and continuously, during this period when our country and the whole world are struggling with epidemic diseases and the negative economic effects it creates.

Yours sincerely,

Mehmet Hakan ATILLA

Chairman of the Board of Directors

Evaluation of the CEO for the Period

In the first half of 2020 in which our country and the whole world are struggling with epidemic diseases and the negative economic effects it creates, Takasbank has continued to work for the development of Turkish capital markets and demonstrated a successful performance.

In the first six months of 2020, due to the increase in market transaction volumes and the expansion in Takasbank's service profile, our fee and commission income increased significantly above the budget projections and the realizations in the same period of the previous year, reaching 186.9 million TL and our pre-tax profit was realized as 294.2 million TL. As of June 30, 2020, Takasbank's asset size reached 22.1 billion TL, equity reached 2.26 billion TL and total cash collateral size reached 14.5 billion TL.

Takasbank has continued its activities without interruption in all markets to which it provides service. As of first half of 2020, transactions at the total amount of 7,594 billion TL have been conducted in Borsa İstanbul (BİAŞ) Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market, where 21 billion TL of them constitutes private sector bond transactions. For the transactions conducted in the market; cash settlement at the amount of 997 billion TL and securities settlement with a market value of 4,195 billion TL have been executed in the Takasbank system as a result of multilateral netting process. In BİAŞ Swap Market, bilateral transactions at the total amount of 2,401 billion TL have been conducted of which 299 billion is USD and 59 billion is EUR. In BİAŞ Equities Market, transactions at the total amount of 2,340 billion TL have been conducted and 88 billion TL cash settlement and 323 billion TL securities settlement transactions have been concluded by our Bank. As of 30 June 2020, the number of open positions in the Futures and Options Market was 10.6 million, and the amount of open positions was 20.3 billion TL.

The trading volume in Takasbank Money Market as one of the markets operated by our Bank was 142 billion TL and the number of total transactions was 48,770 in the first half of 2020. The daily average trading volume was 2.3 billion TL and the average transaction size was occurred as 2.9 million TL. In the Securities Lending Market, 264 different type of securities were traded during the first three months' period, 862 million transactions were conducted in total and the trading volume was realized as 5.2 billion TL. In Turkey Electronic Fund Trading Platform (TEFAS), the trading volume for the first quarter was 83 billion TL and the number of traded funds was realized as 237. The daily average trading volume was 669 million TL, the number of institutions conducting trades was 75.

With regard to the private pension fund services; the fund asset value of 405 private pension investment funds was 148 billion TL as of 30 June 2020. At the same period, total fund asset value of 650 investments funds reached TL 148 billion and total fund asset value of 12 securities investment trusts reached 556 million TL. As part of the cash credit service provided by our Bank to the brokerage houses, a daily average of 179 million TL cash credit and of 7 million TL settlement credit have been extended.

In the first half of 2020, Takasbank has continued its development efforts to deepen markets and manage financial risks within the framework of its vision of "contributing to the development of markets with reliable and efficient post-trade services". In this context; in the structure of risk, collateral and default management in the Takasbank Money Market, parallel to the central counterparty practices of Takasbank, it was put into operation in April and technical improvements have been completed which will ensure healthy price formation, regular and continuous offers and to minimize costs with automation in the processes in the Securities Lending Market.

During this period in which our country and the whole world are struggling with epidemic diseases and the negative economic effects it creates, I would like to thank our employees and everyone who contributed to financial and operational success of Takasbank

Best regards,

Gökhan ELİBOL

Deputy General Manager

Board Member

Bank's Historical Development

The Bank which was originally established as a department of the Borsa İstanbul Inc. ("BİAŞ") and started its operations under the name of İMKB Takas ve Saklama A.Ş. on 12 July 1991 has been transformed to a non-deposit taking bank on 8 August 1995 with the name of İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.) upon the resolution of the Council of Ministers No. 95/6551 published in the Official Gazette dated 23 March 1995. In its 18th Ordinary General Assembly dated 29 March 2013, the title of the Bank has been changed to İstanbul Takas ve Saklama Bankası A.Ş. (İstanbul Settlement and Custody Bank Inc.)

Shareholding Structure

Takasbank's paid-in capital is 600 million TL. The Bank has 40 shareholders, and BİAŞ has 64.15%, 11 banks have 17.04% and 28 brokerage houses have 18.81% shares in its capital.

| Shareholder Name | Paid-in-Capital (Thousand TL) | Percentage Share (%) |
|-----------------------------------------|----------------------------------|-------------------------|
| Borsa İstanbul A.Ş. | 384,887 | 64.15 |
| Phillip Capital Menkul Değerler A.Ş. | 30,000 | 5.00 |
| Tacirler Menkul Değerler A.Ş. | 30,000 | 5.00 |
| Türkiye Garanti Bankası A.Ş. | 29,685 | 4.95 |
| Yapı Kredi Yatırım Menkul Değerler A.Ş. | 26,280 | 4.38 |
| Türkiye İş Bankası A.Ş. | 26,235 | 4.37 |
| Türkiye Vakıflar Bankası T.A.O. | 26,235 | 4.37 |
| Diğer (Aracı Kurum) | 26,577 | 4.43 |
| Diğer (Banka) | 20,101 | 3.35 |
| Total | 600,000 | 100 |

Names and shares of the real or legal persons holding more than 10% of the capital:

| Title | Share Amount (Thousand TL) | Percentage Share (%) |
|---------------------|-------------------------------|-------------------------|
| Borsa İstanbul A.Ş. | 384,887 | 64.15 |

Share transfer of our shareholders within the reporting period:

| Old Shareholder | New Shareholder | Paid-in-Capital (Thousand TL) | Percentage (%) |
|----------------------------|---------------------------------------|----------------------------------|-------------------|
| Delta Menkul Değerler A.Ş. | PhillipCapital Menkul Değerler A.Ş. | 1,577 | 0.26 |
| Delta Menkul Değerler A.Ş. | Tacirler Yatırım Menkul Değerler A.Ş. | 484 | 0.08 |

Branch and Personnel Information

The Bank's number of employees is 297 and it does not have any branch. The Bank is operating as a Head Office.

Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors

| Name Surname | Area of Responsibility |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Mehmet Hakan Atilla | President |
| Bekir Bayrakdar | Vice President |
| Gökhan Elibol | Deputy General Manager - Board Member - Credit Committee Permanent Member |
| Yusuf Karaloğlu (*) | Member (Central Counterparty Risk Advisory Committee Chair- Credit Committee Substitute Member) |
| Hüseyin Melih Akosman | Member (Audit Committee Member- Corporate Governance Committee Member) |
| Suat Sarıgül | Member (Credit Committee Permanent Member- Remuneration Committee Chair) |
| Ekrem Kerem Korur | Member (Audit Committee Chair - Remuneration Committee Member) |
| Münevver Çetin | Member (Credit Committee Chair) |
| Gülseren Topuz | Member (Corporate Governance Committee Chair- Credit Committee Substitute Member - Central Counterparty Risk Advisory Committee Member) |

CEO and Executive Vice Presidents

| Name Surname | Area of Responsibility |
|---------------|---------------------------------------------------------------------------|
| Gökhan Elibol | Deputy General Manager - Board Member - Credit Committee Permanent Member |
| Serkan Aşkar | Executive Vice President - Central Counterparty and Financial Services |

*Mr. Seyit Ahmet Işkın, Member of the Board of Directors, has resigned his office at the General Assembly held on 21 April 2020, and Mr. Yusuf Karaloğlu was elected as a board member.

Information about the transactions conducted by the Bank with its Risk Group

As part of the transactions conducted with the risk group to which Takasbank belongs, the transactions executed with the Bank's major shareholder Borsa Istanbul and those conducted with the institutions in which the members of the Board of Directors of our Bank serve as general manager or board member are taken into account.

| Bank's Risk Group | Subsidiaries, Associates and Entities Under Common Control (Joint Venture) | | Direct and Indirect Shareholders of the Bank | | Other Real and Legal Persons included in the Risk Group | |
|-----------------------------------------|----------------------------------------------------------------------------|----------|----------------------------------------------|-----------|---------------------------------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and other receivables | | | | | | |
| Opening Balance of the Period | - | - | 154,942 | 1,200,782 | - | - |
| Closing Balance of the Period | - | - | 290,496 | 7,716,365 | - | - |
| Received Interest and Commission Income | 4,865 | | 16,553 | 4,927 | 2,131 | - |

Analysis of the Bank's Financial Indicators and Performance

| Assets (Thousand TL) | 30 June 2020 |
|--------------------------------------------------------------------------|---------------------|
| Financial Assets (Net) | 19,725,309 |
| Cash and Cash Equivalents | 19,720,977 |
| <i>Cash Assets and Central Bank</i> | 1,191 |
| <i>Banks</i> | 19,708,935 |
| <i>Money market receivables</i> | 34,148 |
| <i>Expected loss reserves (-)</i> | 23,297 |
| Financial assets at fair value through other comprehensive income | 4,332 |
| Derivative financial assets | - |
| Financial assets measured at amortized cost (Net) | 2,184,693 |
| <i>Loans</i> | 304,349 |
| <i>Other financial assets measured at amortized cost</i> | 1,880,863 |
| <i>Expected credit losses (-)</i> | 519 |
| Investments in associates, subsidiaries and joint ventures | 4,825 |
| Tangible assets (Net) | 10,377 |
| Intangible assets and goodwill (Net) | 106,563 |
| Investment properties (Net) | 34,275 |
| Current tax assets | - |
| Deferred tax assets | 2,314 |
| Other assets | 41,966 |
| Total Assets | 22,110,322 |

| Liabilities (Thousand TL) | 30 June 2020 |
|-----------------------------------------|---------------------|
| Loans received | 3,533,200 |
| Funds | 16,221,254 |
| <i>Other</i> | 16,221,254 |
| Derivative financial liabilities | - |
| Lease payables | 2,282 |
| Provisions | 50,588 |
| <i>Provision for Employee Benefits</i> | 15,286 |
| <i>Other provisions</i> | 35,302 |
| Current tax liabilities | 46,604 |
| Deferred tax liabilities | - |
| Shareholders' equity | 2,256,394 |
| Total Liabilities | 22,110,322 |

| Statement of Profit or Loss (Thousand TL) | 30 June 2020 |
|---------------------------------------------------|---------------------|
| Interest Income | 209,815 |
| Interest Expense (-) | 21,545 |
| Net Interest Income/Expense | 188,270 |
| Net Fees and Commission Income/Expense | 168,403 |
| Dividend Income | 10,739 |
| Net Trading Income/Losses | 16,338 |
| Other Operating Income | 4,628 |
| Gross Operating Income | 388,378 |
| Allowance Expenses for Expected Credit Losses (-) | 4,126 |
| Other Allowance Expenses (-) | 16,665 |
| Personnel Expenses (-) | 42,429 |
| Other Operating Expenses | 30,960 |
| Net Operating Profit/Loss | 294,198 |
| Tax Provision for Continuing Operations (-) | -61,117 |
| Net Period Profit/Loss | 233,081 |

| Financial Ratios (%) | 30 June 2020 |
|-----------------------------------------|---------------------|
| Operating Income / Total Assets | 1.33 |
| Shareholders Equity / Total Assets | 10.21 |
| Operating Income / Shareholders Equity | 13.04 |
| Net Interest Income / Operating Revenue | 48.48 |

| Assets (Thousand TL) | 31 December 2019 |
|--------------------------------------------------------------------------|-------------------------|
| Financial Assets (Net) | 15,692,028 |
| Cash and Cash Equivalents | 15,648,931 |
| <i>Cash Assets and Central Bank</i> | <i>840</i> |
| <i>Banks</i> | <i>15,639,364</i> |
| <i>Money market receivables</i> | <i>29,338</i> |
| <i>Expected loss reserves (-)</i> | <i>20,611</i> |
| Financial assets at fair value through other comprehensive income | 3,082 |
| Derivative financial assets | 40,015 |
| Financial assets measured at amortized cost (Net) | 851,485 |
| <i>Loans</i> | <i>157,493</i> |
| <i>Other financial assets measured at amortized cost</i> | <i>694,289</i> |
| <i>Expected credit losses (-)</i> | <i>297</i> |
| Investments in associates, subsidiaries and joint ventures | 4,825 |
| Tangible assets (Net) | 11,267 |
| Intangible assets and goodwill (Net) | 103,793 |
| Investment properties (Net) | 34,275 |
| Current tax assets | - |
| Deferred tax assets | - |
| Other assets | 36,887 |
| Total Assets | 16,734,560 |

| Liabilities (Thousand TL) | 31 December 2019 |
|-----------------------------------------|-------------------------|
| Loans received | 4,105,859 |
| Funds | 10,205,426 |
| <i>Other</i> | <i>10,205,426</i> |
| Derivative Financial liabilities | - |
| Lease payables | 2,347 |
| Provisions | 61,088 |
| <i>Provision for Employee Benefits</i> | <i>15,952</i> |
| <i>Other provisions</i> | <i>45,136</i> |
| Current tax liabilities | 43,570 |
| Deferred tax liabilities | 8,175 |
| Shareholders` equity | 2,308,095 |
| Total Liabilities | 16,734,560 |

| Statement of Profit or Loss (Thousand TL) | 30 June 2019 |
|---------------------------------------------------|---------------------|
| Interest Income | 415,220 |
| Interest Expense (-) | 111,063 |
| Net Interest Income/Expense | 304,157 |
| Net Fees and Commission Income/Expense | 137,795 |
| Dividend Income | 37,918 |
| Net Trading Income/Losses | 22,603 |
| Other Operating Income | 19,272 |
| Gross Operating Income | 521,745 |
| Allowance Expenses for Expected Credit Losses (-) | 6,959 |
| Other Allowance Expenses (-) | 17,972 |
| Personnel Expenses (-) | 38,223 |
| Other Operating Expenses | 29,595 |
| Net Operating Profit/Loss | 428,996 |
| Tax Provision for Continuing Operations (-) | -85,027 |
| Net Period Profit/Loss | 343,969 |

| Financial Ratios (%) | 30 June 2019 |
|-----------------------------------------|---------------------|
| Operating Income / Total Assets | 2.63 |
| Shareholders Equity / Total Assets | 12.52 |
| Operating Income / Shareholders Equity | 21.02 |
| Net Interest Income / Operating Revenue | 58.30 |

The size of the balance sheet which was 16,734,560 thousand TL at the end of 2019 reached 22,110,322 thousand TL as of end-June 2020. The banks account representing the highest amount in the assets increased by 26% and realized as 19,708,935 thousand TL.

While the funds item holding the most important place in the liabilities of the Bank was 10,205,426 thousand TL at the end of the previous year, it increased by 59% and reached 16,221,254 thousand TL. Loans received item decreased by 14% to 3,533,200 thousand TL.

As of the end of second quarter of 2020, the Bank has a pre-tax profit of 294,198 thousand TL and after-tax profit of 233,081 thousand TL.

An interest income of 209,815 thousand TL is earned as of end-June 2020, where 160,060 thousand TL interest is collected from the banks, 40,323 thousand TL interest is collected from the securities and 9,150 thousand TL is collected from the loans and 282 thousand TL results from other interest income. Total interest expense for this period was realized as 21,545 thousand TL.

The Bank earned 186,856 thousand TL commission income as a result of the services it provides and paid 18,453 thousand TL commission for its Turkish Lira and foreign currency denominated transactions. As of end-June 2020, net fee and commission income was realized as 168,403 thousand TL.